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Monday May 9, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Monday, May 9, 1977.

The NID Cable is for the purpose of informing senior US officials.

CONTENTS

USSR-SYRIA: Arms Contracts Page 1

ZAIRE: Military Situation Page 3

USSR: Natural Gas Prospects Page 3

BERLIN-EC: European Differences Page 6

SWEDEN: Nuclear Program Page 8

USSR-US: Exchange Program Page 11

NORTH AFRICA: Severe Drought Page 12

USSR-SYRIA: Arms Contracts

25X1 [redacted] Syrian President Asad's visit to Moscow last month may not have resulted in a major new arms accord, but the Soviets have indicated the importance of the talks by resuming arms and spare parts shipments under old contracts. The USSR would presumably prefer to delay signing a new military aid package while it is seeking active participation in the Arab-Israeli negotiating process as co-chairman of the Geneva Middle East peace conference.

25X1 [redacted] A Syrian military mission arrived in Moscow several days before Asad and held talks with Soviet officials for nearly two weeks. Moscow failed to sign an annual military accord with the Syrians last year for the first time since 1969 and cut back on the level of arms shipments in the first months of 1977. A renewal of deliveries indicates Moscow's wish to surmount the frictions with Syria.

25X1 [redacted] Syrian military officers who took part in the discussions in Moscow have implied to US officials in Damascus that the talks included possible sales of MIG-25 aircraft. A Romanian embassy officer in Damascus remarked privately earlier this month that the Soviets had promised future deliveries to Syria of such advanced weapons as MIG-25 aircraft.

25X1 [redacted] The Romanian also implied that new spare parts contracts had been signed. Another East European diplomat indicated that the Soviets would not be meeting all of the Syrian request for spare parts because Moscow wants to inhibit the possible transfer of such items to Egypt.

25X1 [redacted]

25X1 [redacted] Since the USSR is trying to convince both the US and Israel that it deserves a major role in the Middle East peace process, it would seem likely that the USSR would delay any

signing of a new arms accord. The Soviets reportedly told Asad 25X1
that he could count on additional weaponry if the prospects for
Geneva failed, which would be consistent with previous Soviet 25X1
dealings with their arms clients in the Middle East.

ZAIRE: Military Situation

25X1 [] //Zairian and Moroccan forces have renewed their advance on Kasaji, and President Mobutu is claiming he has further evidence of Soviet support for the Katangans. Mobutu's efforts to use these latest developments to generate domestic and international support for his cause may be set back, however, by reaction to stories circulating in Shaba Region of atrocities against civilians by Zairian troops.//

25X1 [] Zairian and Moroccan forces, previously stalled mid-way along the main route between Mutshatsha and Kasaji, renewed their advance on Friday and reportedly have captured one small village after heavy fighting. Zaire's government-controlled press has trumpeted this modest progress as a "major victory."

25X1 [] //Zairian President Mobutu is using an allegedly captured Soviet SA-7 missile crate as his latest "proof" of Soviet support for the invading Katangans. []

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25X1 [] Mobutu's efforts to attract wider support could be offset, however, by stories local residents and missionaries in Shaba are circulating of atrocities against civilians by undisciplined Zairian troops. Attempting to head off expected international reaction, Mobutu has reportedly given strict orders to his commanders to prevent massacres and has publicly assured Shabans of their safety. Zairian troops, however, are prone to see every villager as a Katangan sympathizer and are often beyond the control of their officers.

25X1 [] Public reports of atrocities will put further pressure on Mobutu's foreign supporters to cut their assistance to Zaire and will provide more grist for his domestic critics. []

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USSR: Natural Gas Prospects

25X1 [] Soviet natural gas production will continue to expand into the 1980s and will provide some stability to the shifting Soviet energy balance. Natural gas exports, however, will not rival oil as an earner of hard currency.

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[] The growth in Soviet natural gas production will not offset the effects of the decline in domestic oil supply that CIA believes is likely between now and the early 1980s. DIA estimates that the Soviets will acquire needed technology and equipment from the West that will enable them to maintain and possibly increase their current oil production through the mid-1980s.

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[] The USSR claims proven and probable reserves of 28 trillion cubic meters of natural gas, an 87-year supply at the 1976 rate of output of 321 billion cubic meters. US reserves are barely more than 6 trillion cubic meters. While Soviet natural gas output by 1985 could approach or exceed that of crude oil in caloric terms, it will not be used to any great degree to replace oil.

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[] Most additional gas production will go to industrial sectors that already use large amounts of gas and in which gas is being substituted for fuels other than oil. Gas consumption will continue to increase substantially in the chemical and metallurgical industries, where it has been replacing coal and coke. Household use will also increase but will not involve gas-for-oil substitution since oil has not generally been used directly for heating purposes.

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[] Significant substitution of gas for oil probably will be limited to electric power generation, in which oil-burning thermal power plants can switch more readily to gas than to coal. No such shift is apparently now planned for 1977 to 1980 because the Soviets intend to reduce the share of gas in total thermal power plant fuel consumption in this period. Several oil-burning plants in the European USSR, however, could make the switch in the 1980s when the domestic oil shortage requires it. Gas storage capacity near these plants would have to be expanded substantially to avoid winter gas supply shortages.

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[] Soviet gas will become an increasingly important export commodity but is unlikely to approach oil either in terms of energy exported or hard currency earned. Net exports to Eastern and Western Europe are to rise from 7 billion cubic meters in 1975 to 41 billion cubic meters in 1980, but they will increase to only 50 billion cubic meters in 1985.

- 25X1 [] In order to increase gas exports more rapidly in the mid-1980s, the USSR would have to purchase more large-diameter pipe and other equipment from the West to expand its gas pipeline system. At the same time, imports of natural gas from Iran are increasing rapidly.
- 25X1 [] Natural gas exports in 1980 in caloric terms will reach about one third of oil exports for that year. By 1985, when we expect the USSR to be a net oil importer, gas shipments will still equal only one half of the country's 1980 oil exports. DIA estimates that Soviet recoverable oil reserves are larger (85 billion barrels) than does CIA (35 billion barrels) and should, if supplemented by escalated exploration and drilling, enable the Soviets to remain oil exporters through 1985.
- 25X1 [] Hard-currency receipts from sales of natural gas should rise from \$200 million in 1975 to approximately \$1.4 billion in 1980 and \$2.0 billion in 1985. Net earnings will be lower. Hard-currency payments for Iranian gas will reduce earnings, as will gas-for-pipe compensation deals with Western Europe, which require several years of gas deliveries before hard-currency earnings begin. Earnings from oil exports are likely to be about \$2.7 billion in 1980.
- 25X1 [] Exports of liquefied natural gas could add \$2 billion to \$3 billion to annual hard-currency earnings, perhaps by the late 1980s, under two proposed East-West cooperative ventures. In both proposals, under negotiation since 1972, Soviet gas would be shipped to the West in return for Western assistance in developing Soviet liquefied natural gas facilities.
- 25X1 [] The proposed North Star project, in which gas from western Siberia would be shipped to Western Europe and the US, has been held up because of disagreement over pricing and possible US import restrictions on liquefied natural gas. Negotiations on a similar venture involving gas exports from deposits in eastern Siberia near Yakutsk to Japan and the US west coast are proceeding slowly. US and Japanese participants will not proceed with the project until proven gas reserves are regarded as sufficient to support contemplated shipments over a 20-year period. Even if development were to begin next year, shipments would not start for at least a decade.

25X1 [] //Soviet gas production capacity will continue to grow rapidly but not without difficulty. The key to growth will be the pipeline capacity needed to carry gas from the huge new fields in western Siberia to the western USSR and Europe. The main bottleneck will be the installation of high-capacity compressors. Most of these are imported from the West and have long lead-times for negotiation, manufacture, and delivery.//

BERLIN-EC: European Differences

25X1 [] *British, French, and West German leaders--who will meet with President Carter today to discuss Berlin--view the city as a point of leverage to further their own national interests as much as a bellwether of East-West relations.*

25X1 [] The West's recent problems with the Soviets over Berlin have involved West Berlin's ties to the EC because Moscow refuses to acknowledge that EC treaties apply in West Berlin.

--The Soviets protest the role West Berlin is to have in the directly elected European Parliament.

--EC negotiations with the Soviets on fishing rights in newly established 200-nautical-mile zones are stalled, partly because the Soviets will not recognize that the treaty includes Berlin.

--The Soviets object to including Berlin in an economic cooperation treaty involving West European and East European countries.

25X1 [] Faced with these issues, the West Germans, French, and British are pursuing their own distinct objectives.

25X1 [] West Germany wants above all to reinforce West Berlin's ties to West Germany and to Western Europe. EC agreements with non-EC countries normally include a clause implicitly extending the agreement to Berlin, but West Germany argues that any agreement between the EC and East European countries must do so explicitly.

25X1 [] Otherwise, the West Germans say, the EC will have "agreed to disagree" with the Soviets on this point and will have no legal basis for applying such an agreement in Berlin.

25X1 [] West Germany believes that the USSR will ultimately accept Berlin's inclusion in a fishing agreement because the accord is in the Soviets' economic interest--and that this would be precedent for a future EC agreement with the East.

25X1 [] France backs West Germany on taking a hard line on Berlin vis-a-vis the East while accommodating the Soviets on broader East-West matters, including the Belgrade review of the Conference on Security and Cooperation in Europe.

25X1 [] The French have stopped short of giving full support to West Germany's tactics in EC negotiations involving Berlin, however--a reminder that Berlin is a card for France to play against the West Germans as well as against the East.

25X1 [] France also emphasizes its role as an occupying power in Berlin because that is one of the few remaining political symbols of great-power status.

25X1 [] In discussions about Berlin, France presses its argument that East-West issues focusing on Europe belong first in a European forum rather than in NATO. The French thus prefer that consultations with EC Commission experts on Berlin take place in Brussels--among West European missions there and the US mission to the EC--rather than at meetings of West Germany and the Western powers occupying Berlin. Similarly, the French have proposed that NATO military studies be provided to EC governments so that they can adequately address--outside NATO--the security implications of Soviet fishing interests in EC waters.

25X1 [] The UK's approach to the fishing agreement largely reflects economic concerns, and the British seem unwilling to press the Soviets on any aspect of the Berlin problem. They have vigorously opposed holding an EC-Soviet fishing agreement "hostage" to Soviet acceptance of the inclusion of Berlin, because the agreement is important for protecting the British fishing industry. The British argue that West Germany can afford to be tough on the issue because its profits from trade with East Germany are not in jeopardy.

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[] The other allies stress that it is precisely where the Soviets have real economic interests--for example, in a fishing agreement--that they should be pushed to acknowledge Berlin's EC role. The UK's partners argue that the alternative approach--focusing on Berlin's participation in a directly elected European Parliament--risks drawing the West into discussions with the Soviets about the future of West European integration. []

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SWEDEN: Nuclear Program

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[] *The Swedish parliament has enacted legislation compelling the nuclear power industry to inform the government of its plan for the reprocessing and storage of spent nuclear waste before new reactors can be put into operation. The determination of the acceptability of such a plan will rest with Prime Minister Falldin's cabinet, which is deeply divided along political lines on the merits of Sweden's nuclear policy. Strict interpretation of the new legislation could preclude any further development of nuclear power in Sweden.*

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[] Accused of having betrayed his ideals by not abolishing the nuclear program completely, Falldin pressed hard for the new legislation, terming it "an instrument for taking Sweden out of the nuclear society." His energy minister has said the bill will require the nuclear industry to demonstrate that nuclear waste can be kept apart from all life for long periods.

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[] Falldin's Center Party--the largest in the government coalition--took a hard stand on dismantling the nuclear program before the September election, which unseated the Social Democrats. In order to form a coalition excluding the Social Democrats, however, Falldin had to compromise with the Liberal and Conservative parties, which generally favor nuclear power development.

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[] Under the terms of the compromise, the five operational nuclear reactors will remain in use, but additional reactors can become operational only if strict environmental and safety standards are met. A sixth reactor has been allowed to begin operating on a trial basis.

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[] Permission to operate new reactors will be given only if the nuclear industry can:

--Produce agreements that meet the need for storing used fuel in a satisfactory way.

--Demonstrate how and where a completely safe final storage of highly radioactive waste can take place.

--Present legally binding reprocessing agreements that guarantee satisfactory treatment of spent fuel.

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[] At stake are four nuclear reactors now under construction and two in the planning stage. The six nuclear plants now in operation have a total capacity of 3,760 megawatts. Successful operation of all 12 stations is needed to achieve the parliament's goal of reducing the demand for oil from 65 percent of energy consumption to 60 percent by 1985.

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[] Spokesmen for the nuclear industry have expressed guarded optimism that in time the bill's provisions can be met, but they are apprehensive that the law gives the cabinet unchecked power to block the operation of future reactors. To meet the disposal standards, the partially state-owned nuclear manufacturing conglomerate is developing a new method for the safe containment and storage of nuclear waste.

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[] A test of Falldin's determination to halt nuclear expansion will come in October, when the cabinet must decide whether to permit the country's sixth reactor to continue in operation. []

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USSR-US: Exchange Program

25X1 [] //The USSR and the US have an active scientific exchange program on two major civilian applications of superconducting magnets--development of more efficient electrical generators and of controlled thermonuclear power reactors. Superconducting magnets also have potential military applications as components for particle beam and laser weapon systems or to create high-power, quiet propulsion systems for submarines. A new Soviet proposal suggests Soviet interest in learning this technology through the exchange program, but the US has only provided end products.//

25X1 [] //Superconducting magnets can generate higher magnetic fields and operate more economically than conventional magnets. By increasing the power density of electric generators and motors, they allow the development of compact sources of electrical power. The US has more advanced design and fabrication capabilities for such magnets than does the USSR.//

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[REDACTED] //Ye. P. Velikhov, an official of the Soviet Kurchatov Institute of Atomic Energy, has proposed that the US design the superconducting magnet needed for the Soviets' large experimental controlled-fusion reactor, the Tokomak-10M. He said the USSR would then build the magnets to US specifications using Soviet personnel, equipment, and materials. In this way the technological aspects of superconducting magnet construction--such as coil winding and component fabrication--would be transferred from US to Soviet technicians.//

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[REDACTED] //The US has agreed to lend the Soviets a superconducting magnet, but the Soviets probably will not learn anything from the magnet that they could not have learned from available unclassified literature. The magnet, which is to be sent to the USSR in late June, will be used in the Soviets' civilian program in exchange for permitting US scientists to conduct experiments that could only be done at the Soviet facility. The arrangement does not include teaching construction techniques.//

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[REDACTED] //The magnet being loaned is the most advanced ever built in the US, and its construction required development of some new techniques that are important to US military research and development efforts. The magnet itself is not of direct military interest. The results of experiments in civilian programs for generating electrical power using high magnet fields provided by this magnet, however, will be of interest for military development programs in both countries.

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NORTH AFRICA: Severe Drought

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[REDACTED] *A severe drought is causing a sharp drop in grain yields in Algeria, Morocco, and Tunisia. The drought has worsened existing agricultural difficulties caused by neglect and the diversion of resources into mining and manufacturing. This will have serious consequences for economic development in the Mahgreb, as development funds will have to be diverted to purchases of 3 million tons or more of grain, compared with about 2 million tons last year.*

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25X1 [] In Algeria, the US agricultural attache is estimating that the wheat crop is down some 30 percent, yielding 1.4 million tons, compared with 2 million tons in the last crop year. To meet domestic requirements, Algeria will have to import at least 1 million tons of grain this year--an increase over last year of 200,000 to 300,000 tons.

25X1 [] Morocco's wheat crop is likely to fall some 15 percent from the already depressed level of 2.1 million tons in the 1975-76 season. Imports will probably rise 20 percent from the 1 million tons imported last year, straining Morocco's port and distribution facilities and adding to its already serious balance-of-payments problems. Large government subsidies will also be needed to keep bread prices down, upsetting government-sponsored development plans and slowing economic growth.

25X1 [] In Tunisia, the drought has caused tremendous damage to the wheat crop, which hit an all time high of 1.3 million tons in the 1974-75 crop year. Output fell to about 800,000 tons in the following year and is likely to reach 600,000 tons, at best, this season. Domestic requirements are probably in the range of 1.4 million to 1.6 million tons. Imports needed to make up the difference would exceed the capacity of Tunisia's port and distribution system. []

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